



INFORMATION GUIDE

RAILROAD AND PUBLIC SERVICE ENTITIES

What is a railroad company?

A railroad company is any company owning, operating, or controlling any railroad or railroad service in this state.

What is a public service entity?

A public service entity is any person or company organized for-profit and engaged in the business of water works, electric power, gas works, natural gas, telecommunications, pipelines used for the transmission of oil, heat, steam, or any substance to be used for lighting, heating, or power, and pipelines used for transmission of articles by pneumatic or other power and all other similar or like entities.

What are the statutory and regulation references?

Railroads -

Nebraska Revised Statutes §§ 77-600 to 77-693
Regulation: Title 350, Chapter 30.

Public Service Entities -

Nebraska Revised Statutes §§ 77-800 to 77-804
Regulation: Title 350, Chapter 30.

Who is responsible for determining the assessed valuation of a centrally assessed company?

The Property Tax Administrator is responsible for valuation of these companies. This class of property is called property valued by the state or centrally assessed property.

What is the assessment date?

January 1, 12:01 a.m.

What are the filing dates?

On or before April 15th of each year each railroad company and public service entity shall file a complete report to the Property Tax Administrator on prescribed forms.

Can filing date extensions be granted?

Upon written request, and for good cause shown, the Property Tax Administrator may allow up to a 15-day extension of time to file the required reports.

What is the penalty for failure to file or late filings?

The Property Tax Administrator may assess a penalty of \$100 per day, up to \$10,000, for failure or refusal to file the requested information. Upon written request and for good cause shown, the Property Tax Administrator may waive the penalty in whole or in part.

What property of a railroad or public service entity is subject to valuation by the Property Tax Administrator?

The Property Tax Administrator is responsible for the valuation of the company's "operating property". Operating property is owned or leased property that contributes to the operation or purpose of a centrally assessed company: for example; railroad transportation, two-way telephone communications, pipeline transmission of natural gas and petroleum products, etc.

What property of a railroad or public service entity is subject to valuation by the assessor?

The assessor is responsible for valuation of the company's "non-operating" property. Non-operating property is property that does not contribute to the operation or primary purpose of the owned or leased centrally assessed company; for example: property owned by a telephone company that contributes to their telemarketing business.

When does a company report non-operating property to the assessor?

On or before January 1 of each year, all companies subject to central assessment shall report to the assessor the situs of all non-operating property.

In the event of a sale of a railroad or a public service entity, what information is required to be filed with the Property Tax Administrator?

Any sale of operating property of a railroad or public service entity shall be reported by the purchaser to the Property Tax Administrator within 30 days from the date of the sale. The information that must be reported; includes but is not limited to: the seller, date of the sale, any change in name, purchase price, and in the case of a railroad, the miles of main and sidetrack located in each taxing subdivision.

What differences exist between the way locally assessed property is valued and the way centrally assessed properties are valued?

Locally assessed property is valued as an individual asset. Centrally assessed property is valued as a unit. A unit value is based on all the assets working together as a business or entity.

What information is used in valuation of centrally assessed companies?

The Property Tax Administrator utilizes many sources of information to develop centrally assessed values, including but not limited to: required annual property tax returns which include income statements and balance sheets; corporate annual reports to stockholders; reports required by federal regulatory agencies such as Surface Transportation Board (STB). Federal Energy Regulatory Commission (FERC); Federal Communications Commission (FCC); also financial publications such as Value Line Investment Services, Standard and Poors, Wall Street Journal, and a variety of industry specific publications.

Are there any provisions for confidentiality of information filed with the Property Tax Administrator?

All information reported by the companies that is not available from other public sources, shall be confidential and available to taxing officials only.

How are values for centrally assessed properties developed?

The appraisal process for centrally assessed property is much the same as that performed by the local assessor -- using cost, income and market approaches to value. Greater reliance is placed on the income approach to value, if adequate data is available.

How is the net book personal property tax applied to these companies?

The personal property portion of the allocated unit value is removed and replaced with a Nebraska allocated net book personal property amount.

How is a company's system value allocated to Nebraska?

The correlated system unit value is allocated to Nebraska based on elements such as investment (property), revenues (income), and volume of business (use).

Are preliminary draft appraisals mailed to companies?

Yes. On or before July 1, each railroad company shall be mailed a draft appraisal of its allocated taxable value as determined by the Property Tax Administrator.

On or before July 25, each public service entity shall be mailed a draft of its allocated taxable value as determined by the Property Tax Administrator.

When must all informal discussions be held with the Property Tax Administrator regarding their current year appraisal?

Railroads may meet informally with the Property Tax Administrator through July 12 to discuss the proposed valuation or method of allocation.

Public service entities may meet informally with the Property Tax Administrator through August 5 to discuss the proposed valuation or method of allocation.

When are the appraisal values certified to the companies?

On or before July 15, the Property Tax Administrator shall send each railroad company a final appraisal showing total allocated taxable value for property tax purposes.

For the public service entities, on or before August 10, the Property Tax Administrator shall certify a final appraisal showing the total allocated taxable value for property tax purposes.

When are the distribution values certified to the companies?

On or before August 10, the Property Tax Administrator shall certify to each railroad company and public service company the taxable value as distributed to the county and taxing subdivisions.

When are the distributed values certified to the counties?

Upon completion of the final equalization from the Tax Equalization and Review Commission, on or before August 10, the Property Tax Administrator certifies the centrally assessed distributed values to the county assessor.

How are the centrally assessed values distributed to the counties?

Pursuant to Nebraska Revised Statutes § 77-604 the railroad company's taxable value is distributed to the counties in two steps.

First, 5% of the railroad's value is distributed to all taxing subdivisions where the railroad has investment in general office buildings or machinery and repair facilities. The intent is to attribute value to the situs where there is a heavy concentration of business offices or special use structures;

Second, the balance of the railroad's value is distributed based on physical track miles located in the various taxing subdivisions using a formula of 50% density and 50% main and side track. The first half of this formula attributes value to the business or rail traffic activity. Typically, a large railroad divides its system into branch lines. Density factors are assigned to each branch line based on traffic activity or how often it is used in business. Certain branch lines have more rail traffic than others and, consequently, generate more revenues for the railroad company. The second half of the 50/50 formula attributes value to the physical track miles, both main line and side tracks, within each branch line.

Pursuant to Nebraska Revised Statutes § 77-802 the public service entity's taxable value is distributed to the counties based on gross investment or original cost of all operating real and tangible personal property. The company is required to report its total gross investment of property in the state, county, and individual taxing subdivisions. The investment for the taxing subdivision, (e.g. county, school, city) is divided by the company's investment reported for the state to establish a ratio or percentage. This percentage is multiplied by the company's Nebraska taxable value to distribute it among the counties and their taxing subdivisions.

May a company appeal the valuation or method of allocation established by the Property Tax Administrator?

Yes. On or before August 1 a railroad may file an administrative appeal in writing with the Property Tax Administrator. The railroad company's administrative appeal must state that it claims the valuation is unjust or inequitable, the amount which it is claimed the valuation should be, and the excess therein and asking for an adjustment of the valuation by the Property Tax Administrator.

On or before September 10, a public service entity may file an appeal with the Property Tax Administrator.

Will the Property Tax Administrator issue an order on appeals filed?

Yes. The Property Tax Administrator will issue a written order on all appeals. A copy of the order will be mailed to the company within seven days from the date of the order. The Property Tax Administrator shall recertify to the appealing company and to each county assessor in which the companies are located, the distribution of taxable value to the counties and subdivisions in which there is situs.

Upon a recertification from the Property Tax Administrator does an assessor have to recertify valuation to the political subdivisions?

Yes. Depending upon the timing of the recertification the assessor will be required to recertify the valuation or if necessary issue tax list corrections to the political subdivisions.

May the order of the Property Tax Administrator be appealed?

Yes. Within 30 days after the date of the Property Tax Administrator's order, a company may appeal to the Tax Equalization and Review Commission.

Who is responsible for preparing tax statements and collection of tax for the centrally assessed properties?

The county is responsible for preparing the tax statements and collection of all taxes.

When are the taxes due?

All property taxes both real and personal shall be due and payable on December 31. One-half of the property taxes become delinquent on May 1 and the second half on September 1. In counties with a population of more than 100,000 the delinquent dates are April 1 and August 1.

For Further Information Contact:

**State of Nebraska
Department of
Property Assessment and Taxation
1033 "O" Street, Suite 600
Lincoln, NE 68508
(402) 471-5984
Fax: (402) 471-5993
Website: <http://pat.ne.gov>**